

Questions and Answers About
Payment Provisions For
Tobacco Transition Payment Program
Conference held on April 20, 2005

- Question 1 What is the legal authority for payments?
- Answer 1 The American Jobs Creation Act of 2004 signed by the President on October 22, 2004.
- Question 2 Who is eligible to accept a lump sum payment?
- Answer 2 Any tobacco quota holder or producer wishing to accept a lump sum payment from a third party is eligible to accept a lump sum payment.
- Question 3 Will the Commodity Credit Corporation pay a lump sum payment to either a tobacco quota holder or producer?
- Answer 3 There is no legal authority for the Commodity Credit Corporation to make a lump sum payment to individuals.
- Question 4 What is the maximum discount rate a third party may offer?
- Answer 4 The maximum discount rate is the prime rate in effect on the first business day of the month plus 2 percentage points, rounded to the nearest whole number.
- Question 5 Will the prime rate used to calculate the discount rate change during the month?
- Answer 5 No, the prime rate will not change during the month.
- Question 6 Where can the prime rate for the month be found?
- Answer 6 The prime rate may be located at <http://federalreserve.gov/releases/h15/update>. Also, a press release will be issued monthly by the Commodity Credit Corporation.
- Question 7 What is the difference between an assignment and a successor-in-interest contract?
- Answer 7 In an assignment, the payment will be issued to a third party of the assignee's choice. The tobacco quota holder or producer will continue to be the contract holder and must continue to abide by the terms of the contract. For a successor-in-interest contract that is approved by the Commodity Credit Corporation, the original contract holder no longer has a contract with the Commodity Credit Corporation. All future payments will be issued to the successor and the successor must abide to the terms of the contract.

- Question 8 Will electronic fund transfer be available?
- Answer 8 Yes, the Commodity Credit Corporation strongly encourages the use of electronic funds transfer. To sign up for direct deposit, the payee must complete an SF-1199A.
- Question 9 Will enrollment for electronic funds transfer/direct deposit be required for each contract?
- Answer 9 No, once a SF-1199A, Direct Deposit Sign-up form has been submitted to the county office no other action is required. However, if the contracts are in multiple counties a SF-1199A must be filed in each county office.
- Question 10 If a third party has multiple contracts, will they receive multiple payments?
- Answer 10 Payments that have the same bank routing number and the same account number will be combined into a single payment if paid electronically. If paid by check, a separate check will be issued for each contract.
- Question 11 How will a third party know how to apply multiply payments from a single electronic payment?
- Answer 11 A transaction statement will be issued with each payment listing each individual payment.
- Question 12 When can a third party enter into an assignment?
- Answer 12 An assignment can be entered into at anytime.
- Question 13 Are assignments subject to administrative offsets?
- Answer 13 Yes, this is authorized under the Debt Collection Improvement Act of 1996.
- Question 14 Are assignments revocable?
- Answer 14 Yes, the assignment maybe revoked at any time with the consent of the assignee.
- Question 15 Is there a specific form a third party must use for assignments?
- Answer 15 Yes, the form CCC-959, Tobacco Transition Payment Program Assignment of Payment must be used.
- Question 16 When can a third party enter into a successor-in-interest contract?
- Answer 16 A successor-in-interest contract may be entered into once the Commodity Credit Corporation has made the successor-in-interest form available starting with the fiscal year 2006 payment.
- Question 17 Is there a time restriction to enter into a successor-in-interest contract?
- Answer 17 Yes, all interested parties, in any given year, must enter into a successor-in-interest contract by November 1st in order to receive subsequent January payments.

- Question 18 How long does it take to process a successor-in-interest contract?
- Answer 18 Successor-in-interest contracts should be approved within 30 days.
- Question 19 If a successor-in-interest contract that has been approved by the Commodity Credit Corporation and another individual challenges the original rights to the payment, will payments still be disbursed?
- Answer 19 No prior or subsequent action of the original contract holder will affect the successor contract.
- Question 20 Why can't a third party enter into a successor-in-interest contract for the 2005 payment?
- Answer 20 Those contracts are not yet available due to priority of enrollment of all eligible parties by June 17, 2005.
- Question 21 Can a successor-in-interest contract be revoked?
- Answer 21 No.
- Question 22 In a successor-in-interest contract, can a portion of the payment be succeeded?
- Answer 22 No partial successor-in-interest contracts are allowed.
- Question 23 May a successor-in-interest contract be transferred to another party?
- Answer 23 Yes, a successor-in-interest contract maybe sold to another party.
- Question 24 How will a third party know that a tobacco quota holder or producer has a valid contract?
- Answer 24 The third party should ask to see a copy of the contract.
- Question 25 If a third party offers a lump sum payment, when will they expect to start getting the payment stream?
- Answer 25 Payments will be made over a 10 year period. The 2005 payments start in July 2005 and continue through September 30, 2005. The 2006 – 2014 payments will be disbursed in January of each year. Target date is January 15, and not later than January 31.
- Question 26 Where can information about the Tobacco Transition Payment Program be found?
- Answer 26 Access to all tobacco information may be found at the tobacco information website at: <http://www.fsa.usda.gov/tobacco>.
- Question 27 If a third party has a debt to the government that is in dispute and is in the appeal process, will on offset be performed?
- Answer 27 No, the offset will not be performed while a debt is in the appeal process.

- Question 28 How would a third party find out if other assignments have been issued or signed?
- Answer 28 The third party may contact the county office where the contract was approved.
- Question 29 If there is an offset, how will it be applied?
- Answer 29 The Government will apply all payments earned under the contract by a debtor until the debt has been paid in full, then the assignments will be made in the order they were approved.
- Question 30 Does the discount rate apply to an assignment?
- Answer 30 If a lump sum payment is made on an assignment the discount rate would be the same as the successor-in-interest. The prime rate plus 2 percentage points rounded to the nearest whole number. If there is a loan associated with the assignment and the terms of the loan exceed one year, the Commodity Credit Corporation will not approve the assignment if the interest rate on the loan exceeds the discount rate unless the lender can show that the interest rate is commonly used for similar loans, and all loan fees and discount points will be taken into consideration by the Commodity Credit Corporation in applying this discount rate.
- Question 31 If there is a liability to any government agency, will a successor-in-interest contract be approved?
- Answer 31 No, if the tobacco quota holder, producer or third party has a liability to any federal government agency the successor-in-interest contract will not be approved.
- Question 32 If a tobacco quota holder or producer signs a power of attorney for a third party to sign a successor-in-interest contract on his or her behalf, will the Commodity Credit Corporation accept the signature of the attorney on the successor-in-interest contract?
- Answer 32 Yes, if the Farm Service Agency power of attorney form specifies the Tobacco Transition Payment Program as a program for which the attorney has power.
- Question 33 If a creditor of a producer or owner has filed appropriate documents under State law to perfect a security interest with respect to all personal property and real property assets of the producer or owner, will this affect the manner in which payments under the Tobacco Transition Payment Program are issued by the Commodity Credit Corporation?
- Answer 33 No, as with all payments issued by the Commodity Credit Corporation, these payments will be issued to the party specified in the Tobacco Transition Payment Program contract. And, as is the case in all other Commodity Credit Corporation program payments, any issues regarding the affect of the actions of the creditor to claim an interest in these payments will be decided under applicable State laws.

Question 34 If a creditor of a producer or owner has filed appropriate documents under State law to perfect a security interest with respect to all personal property and real property assets of the producer or owner and the producer or owner enters into a successor-in-interest contract with a third party will this affect the manner in which payments under the Tobacco Transition Payment Program are issued by the Commodity Credit Corporation?

Answer 34 No, as with all payments issued by the Commodity Credit Corporation, these payments will be issued to the party specified in the Tobacco Transition Payment Program contract that the Corporation has entered into with the successor-in-interest. Whether or not the security interests of the creditor extend to payments issued to the successor-in-interest is a matter to be decided under applicable State laws.